

Message Text

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DRAFTED BY EUR/RPE:MHLEVINE

APPROVED BY EUR/RPE:MHLEVINE

IO/EX:MR. CUMMINS

IO/BAPS:MR. SOUTHWORTH

EUR/RPM:MR. REHFELD

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SUBJECT: PENSION PLAN FOR MEMBERS OF ORGANIZATIONS
REPRESENTED BY COORDINATING COMMITTEE OF GOVERNMENT
BUDGET EXPERTS

REF: A - C(74)15, DATED JANUARY 22, 1974

B - USNATO 6045, DECEMBER 10, 1973

1. THE DEPARTMENT BELIEVES THAT ESTABLISHING AN
ADEQUATE PENSION PLAN FOR OECD EMPLOYEES TO BE OF MAJOR
IMPORTANCE IN ATTRACTING AND KEEPING THE HIGH-CALIBER
PEOPLE THE JOB REQUIRES. WE ALSO THINK IT IMPORTANT THAT
AGREEMENT ON SUCH A PENSION SHOULD BE RAPIDLY REACHED IN
ORDER TO MITIGATE THE UNREST AMONG THE STAFF ABOUT ITS
REMUNERATION.

2. ON THE OTHER HAND, THE HISTORY OF NATO HAS BEEN
SOMEWHAT DIFFERENT, AND WE WOULD PREFER CONTINUED ACCEP-
TANCE OF THE CONCEPT OUTLINED IN REF. B UNDER THE HEADING
"THE NATURE OF THE NATO ORGANIZATION." THUS, WE DO NOT
FAVOR THE CONCEPT THAT IF A PENSION SCHEME IS ACCEPTED BY
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THE CCG BUDGET EXPERTS, IT SHOULD NECESSARILY APPLY TO

ALL ORGANIZATIONS REPRESENTED. WE WOULD PREFER DEVELOPMENT OF A PENSION SCHEME TO BE FORWARDED TO MEMBER ORGANIZATIONS FOR POSSIBLE USE, BUT WITHOUT ANY RECOMMENDATION FOR ADOPTION. WE WOULD THEN ENVISAGE SUPPORT OF THE PLAN IN OECD PROVIDED OUR VIEWS OUTLINED BELOW ARE ACCEPTED, BUT NOT NECESSARILY ANY SUPPORT OF A SIMILAR PLAN FOR NATO EMPLOYEES.

3. WITH REGARD TO FINANCING, WE ARE CONCERNED THAT THE PLAN PUT FORWARD BY THE CCG ENVISAGES FUNDING FROM CURRENT BUDGETS. WHILE WE APPRECIATE THAT THIS PROCEDURE WOULD INVOLVE LESS EXPENSE FOR GOVERNMENTS IN EARLIER YEARS, WE WOULD STRONGLY PREFER A FULLY FUNDED PLAN. YOU SHOULD MAKE THIS POINT VERY CLEAR AND URGE OTHERS TO CONSIDER IT SERIOUSLY. A FULLY FUNDED PLAN WOULD BE SOUNDER FISCAL PRACTICE THAN ACCUMULATING INCREASING LIABILITIES FOR GOVERNMENTS OVER TIME. UNDER BUDGET FINANCING, GOVERNMENTS COULD AT SOME POINT BEGIN TO REGARD THE OBLIGATIONS AS UNDULY HEAVY. EMPLOYEES WOULD BE BETTER SERVED IF THEY AS INDIVIDUALS OWNED PART OF AN EXISTING FUND DESIGNED TO PROTECT THEIR FUTURE SECURITY RATHER THAN RELYING ON THE STABILITY OF ORGANIZATIONS OR THE WILLINGNESS OF GOVERNMENTS TO PROVIDE FUNDS IN ANY GIVEN YEAR. FYI. THERE COULD BE CONGRESSIONAL QUESTIONS WHEN BUDGET INCREASES ATTRIBUTABLE TO PENSIONS BECOME CONSPICUOUS UNDER A BUDGET-FINANCED PLAN. END FYI. THEREFORE, WE THINK THE PENSION PLAN SHOULD HAVE A SEPARATE FUND, ACTUARIALLY MANAGED. WE RECOGNIZE THAT SUCH FUNDING MIGHT REQUIRE CHANGES IN GOVERNMENTAL AND INDIVIDUAL CONTRIBUTIONS IF PERIODIC ACTUARIAL REVIEWS SO INDICATED.

4. WITH REGARD TO REVERSIONARY RIGHTS FOR WIDOWERS, YOU SHOULD EXPRESS CONCERN OVER THE FACT THAT PROVISION IS NOT MADE FOR REVERSIONARY RIGHTS FOR WIDOWERS, SINCE THIS IS AN ASPECT OF EQUAL REMUNERATION FOR MEN AND WOMEN.

5. WITH REGARD TO INCREASED PENSION RIGHTS FOR EMPLOYEES BETWEEN 60 AND 65, YOU SHOULD CONTINUE TO OPPOSE LIMITED OFFICIAL USE

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BONUS ARRANGEMENT. WE THINK THE ABSENCE OF THIS INDUCEMENT PROBABLY WOULD NOT DECISIVELY INFLUENCE MANY EMPLOYEES, AND THAT, IN ANY CASE, THE ORGANIZATION WOULD NOT BE WELL ADVISED TO ATTEMPT TO RETAIN AN INORDINATE NUMBER OF SUCH EMPLOYEES. HOWEVER, IF IT SHOULD BE DEMONSTRATED THAT THIS TYPE OF BONUS ARRANGEMENT IS REGULAR EUROPEAN PRACTICE, YOU SHOULD WITHDRAW YOUR RESERVE, SINCE THIS IS THE TYPE OF ISSUE ON WHICH WE WOULD NORMALLY

FOLLOW THE EUROPEANS.

6. WE SEE NO PROSPECT WHATEVER OF EXEMPTING PENSION
PAYMENTS FROM U.S. TAX LIABILITY. CASEY

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